

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 1390 - HB 1711

March 31, 2011

SUMMARY OF BILL: Reduces the amount of health insurance benefits paid on behalf of certain state officials participating in the state employee health insurance plan by an amount equal to \$100,000,000 for FY11-12.

ESTIMATED FISCAL IMPACT:

Decrease State Expenditures - \$2,324,300/FY11-12

Assumptions:

- Benefits will be reduced for Members of the 108th General Assembly, former Members of the General Assembly, and executive officials in the executive branch, including: the chief executive officer of each board, commission, agency, and authority; the commissioner, the deputy commissioner or equivalent, and any assistant commissioner or equivalent of each department or agency; and the staff directors in the Governor's office.
- According to the Department of Finance and Administration, former Members and former Governors pay a service-based portion of the monthly premium for coverage: 20 percent for 30 or more years; 30 percent for 20 to 29 years; and 40 percent for less than 20 years of service.
- There is no direct contribution for the portion of the premium not provided under the contribution levels applicable to qualified retirees; effectively the plan absorbs the unpaid portion of the premium. Additionally, retirees have higher per capita benefit payments and that higher average expense is also absorbed by the plan and all of its participants. The net impact of the higher benefit payments and the service-based contribution level is estimated to be \$865,332.
- According to the Department, based on the enrollment profile of employee participants in the state plan for January 2011, the estimated annual employer contribution per enrollee is \$9,352.45.
- Since the bill only applies to FY11-12, the Members of the 108th General Assembly are not included in the estimate.
- According to the Department, the number of employees holding one of the included positions totals 156. The estimated reduction of benefits for this group will be \$1,458,982 (\$9,352.45 x 156 employees).

- The total decrease in state expenditures is estimated to be \$2,324,314 (\$865,332 + \$1,458,982).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

/kml